



CBRE CB RICHARD ELLIS **TENANT ADVISORY PRACTICE**

Summary Valuation: 390 Main St

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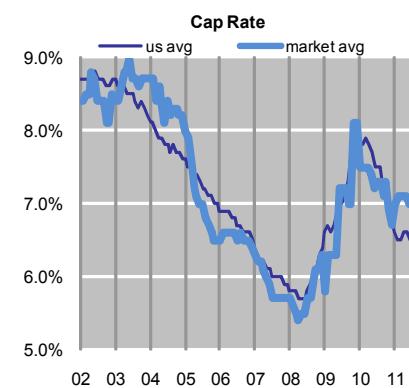
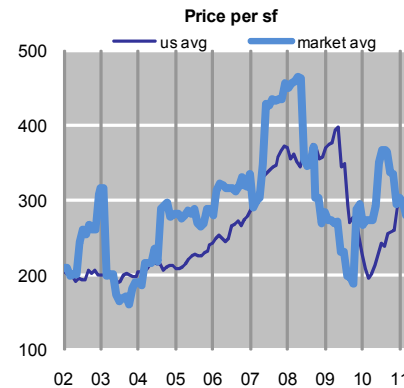
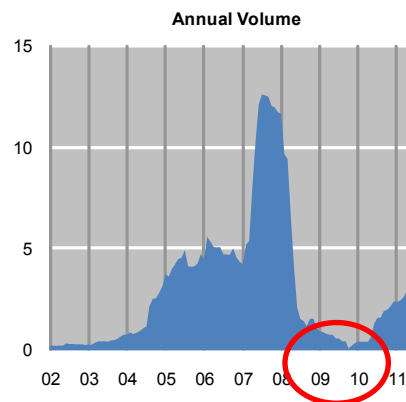
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Real Estate Capital Markets

- The San Francisco core office sales market has strengthened considerably over the last several quarters
- During 2009 there were only 12 office sales in CBD San Francisco
- The market began to recover in 2010 with 24 transactions closing and a decrease in cap rates
 - 32 transactions closed year to date
 - An important sign of investor confidence is the demand for vacant buildings - 370 Third is currently in the market with strong investor interest



All charts monthly, 12-month trailing (total volume, average pricing and cap rates), reported closed or in contract
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- Based on current market investor underwriting assumptions we believe the valuation range for 390 Main is approximately \$120M to \$142M or \$241 / sq. ft. to \$286 / sq. ft.
- This assumes an investor will have a three to five year investment horizon after completing upgrades to the building - we have used a five year horizon for this valuation
- An investor will not have the same investment/hold horizon as an owner-user and will not invest the same level of capital as a user – we have included \$12M of capital for building upgrades
- This value range is significantly less than replacement cost of a new development which is in the range of \$600 / sq. ft. in the San Francisco market
- The pending sale of 370 Third Street is the most relevant current benchmark
 - Approximately 410,000 sq. ft. with a single approximately 37,000 sq. ft. existing tenant
 - Similar large floor plates but the building is in a less attractive location
 - Strong investor demand with multiple offers at almost \$300 / sq. ft.
- If 390 Main St. was sold in 2015 based on current market assumptions the value would be \$206.5M vs. the \$180M that MTC/BATA has budgeted to fully occupy and stabilize the property

390 Main Property Overview



As-is condition

- Located in the Rincon/ South Beach Submarket, between the South Financial and Multimedia Gulch submarkets, drawing traditional and younger technology tenants
- 497,204 Total Rentable Square Feet
 - 461,000 Available Contiguous
 - 8 Floors
- Built in 1942
 - Major renovations between 1991 and 1993
 - Continued Federal maintenance program on all systems
- The Justice Department has a lease for approximately 33,000 sq. ft. on a portion of the top floor

390 Main Income Approach

- Based on market underwriting assumptions we believe the valuation range for 390 Main is \$120M to \$142M or \$241 / sq. ft. to \$286 / sq. ft.
- Includes an estimated \$12.0M of capital for building upgrades
- This assumes an investor will have a three to five year investment horizon after completing upgrades to the building - we have used a five year horizon for this valuation
- If the property were sold in 2015 based on current market assumptions the value would be \$206.5M vs. the \$180M that MTC/BATA has budgeted to fully occupy and stabilize the property

2018 NOI	16,408,897	16,408,897	16,408,897	16,408,897
Cap Rate	7.00%	7.25%	7.50%	7.75%
Residual Value	234,412,814	226,329,614	218,785,293	211,727,703
Residual Costs (0.5%)	(1,172,064)	(1,131,648)	(1,093,926)	(1,058,639)
Net Residual Value	233,240,750	225,197,966	217,691,367	210,669,065
Discount Rate / Unleveraged IRR	8.00%	\$142,265,915	\$137,281,239	\$132,628,876
	8.25%	139,886,183	134,975,224	130,391,663
	8.50%	137,541,927	132,703,580	128,187,789
	8.75%	135,232,613	130,465,790	126,016,754
	9.00%	132,957,718	128,261,346	123,878,065

		\$ per Sq. Ft.			
Discount Rate / Unleveraged IRR	8.00%	\$286	\$276	\$267	\$258
	8.25%	281	271	262	254
	8.50%	277	267	258	249
	8.75%	272	262	253	245
	9.00%	267	258	249	241

390 Main



Summary Valuation: 390 Main St

General Underwriting Assumptions

General

Analysis Start Date	1/1/2012
Refurbishment Period	2012
First Lease Commencement	1/1/2013
Building Area	497,204
General Inflation	3.0%
Property Taxes	2.0%
General Vacancy	5.0%
Collection Loss	5.0%

Leasing

Occupancy and Absorption		
Current occupancy	33,006	
Absorption Period	36 months	
Market Leasing Assumptions		
Term	84 months	120 months
TIs	\$45.00	\$55.00
Commissions (Ten. / Listing)	\$10.00 / \$5.00	\$10.00 / \$5.00
Rent Steps	\$1 / year	\$1 / year
Exp Recoveries	Base Year	Base Year
Retention Ratio	65%	
Downtime	9 months	

Projected Cashflow

For the Years Ending	Year 1 Dec-2012	Year 2 Dec-2013	Year 3 Dec-2014	Year 4 Dec-2015	Year 5 Dec-2016	Year 6 Dec-2017	Year 7 Dec-2018	Year 8 Dec-2019	Year 9 Dec-2020	Year 10 Dec-2021	Year 11 Dec-2022
Market Rent	\$41.50	\$45.65	\$50.22	\$54.23	\$56.94	\$58.65	\$60.41	\$62.22	\$64.09	\$66.01	\$67.99
Potential Gross Revenue											
Base Rental Revenue	1,449,954	7,108,864	14,690,672	22,601,321	24,901,281	24,901,281	24,901,281	24,901,281	24,290,160	27,574,769	28,261,745
Base Rental Step Revenue	0	0	123,963	401,541	842,970	1,340,175	1,837,380	2,334,587	1,922,793	1,829,830	1,440,881
Expense Reimbursement Revenue	0	0	65,098	213,979	438,044	668,567	905,734	1,149,739	978,097	962,227	802,997
Total Potential Gross Revenue	1,449,954	7,108,864	14,879,733	23,216,841	26,182,295	26,910,023	27,644,395	28,385,607	27,191,050	30,366,826	30,505,623
General Vacancy	0	0	0	0	(1,309,115)	(1,345,501)	(1,382,220)	(1,419,280)	0	(544,130)	0
Collection Loss	(72,498)	(355,443)	(734,534)	(1,130,066)	(1,245,064)	(1,245,064)	(1,245,064)	(1,245,064)	(1,214,508)	(1,378,738)	(1,413,087)
Effective Gross Revenue	1,377,456	6,753,421	14,145,199	22,086,775	23,628,116	24,319,458	25,017,111	25,721,263	25,976,542	28,443,958	29,092,536
Operating Expenses											
Cleaning	63,625	808,558	1,028,380	1,252,441	1,343,058	1,383,350	1,424,850	1,467,596	1,440,981	1,532,650	1,553,556
Utilities	344,636	1,010,697	1,285,475	1,565,551	1,678,822	1,729,187	1,781,063	1,834,495	1,801,226	1,915,812	1,941,945
General Building	1,113,737	2,432,571	2,505,548	2,580,714	2,658,136	2,737,880	2,820,016	2,904,616	2,991,755	3,081,508	3,173,953
Management Fee	34,464	151,605	192,821	234,833	251,823	259,378	267,159	275,174	270,184	287,372	291,292
Insurance	745,806	768,180	791,226	814,962	839,411	864,594	890,531	917,247	944,765	973,108	1,002,301
Property Tax	1,265,000	1,290,300	1,316,106	1,342,428	1,369,277	1,396,662	1,424,595	1,453,087	1,482,149	1,511,792	1,542,028
Total Operating Expenses	3,567,268	6,461,911	7,119,556	7,790,929	8,140,527	8,371,051	8,608,214	8,852,215	8,931,060	9,302,242	9,505,075
Net Operating Income	(2,189,812)	291,510	7,025,643	14,295,846	15,487,589	15,948,407	16,408,897	16,869,048	17,045,482	19,141,716	19,587,461
Leasing & Capital Costs											
Tenant Improvements	0	6,879,735	9,662,960	7,410,090	0	0	0	0	8,408,565	4,737,830	6,838,040
Leasing Commissions	0	2,293,245	2,804,820	2,236,238	0	0	0	0	1,719,934	1,070,370	1,398,690
Total Leasing & Capital Costs	0	9,172,980	12,467,780	9,646,328	0	0	0	0	10,128,499	5,808,200	8,236,730
Cash Flow Before Debt Service & Taxes	(\$2,189,812)	(\$8,881,470)	(\$5,442,137)	\$4,649,518	\$15,487,589	\$15,948,407	\$16,408,897	\$16,869,048	\$6,916,983	\$13,333,516	\$11,350,731
Implied Residual at 7.5% Cap Rate	\$ 93,675,240	\$ 190,611,280	\$ 206,501,187	\$ 212,645,427	\$ 218,785,293	\$ 224,920,640	\$ 227,273,093	\$ 255,222,880	\$ 261,166,147	\$ 272,488,933	
	\$ 188	\$ 383	\$ 415	\$ 428	\$ 440	\$ 452	\$ 457	\$ 513	\$ 525	\$ 548	